

DSP MERRILL LYNCH MUTUAL FUND
TULSIANI CHAMBERS, WEST WING, 11th FLOOR,
NARIMAN POINT, MUMBAI – 400 021

HALF YEARLY FINANCIAL RESULTS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2007

NOTES TO ACCOUNTS

1. Basis of Accounting

The financial statements are prepared on the accrual basis of accounting, under the historical cost convention, as modified for investments, which are 'marked to market'. The financial statements have been prepared in accordance with the Securities and Exchange Board of India ('SEBI') (Mutual Funds) Regulations, 1996 (the Regulations) as amended from time to time.

2. Investments

a) Accounting for investment transactions

Investments are accounted on the date of the transaction at cost after considering transaction costs as applicable excluding custodian transaction charges. The front end fee receivable, if any, is reduced from the cost of such investment. Bonus entitlements are recognised as investments on the 'ex-bonus date'. Rights entitlements are recognised as investments on the 'ex-rights date'.

b) Valuation of investments

During the year, the Fund has valued its investments in accordance with the Regulations, as amended from time to time. All investments are marked to market and are stated in the balance sheet at their market / fair value. In valuing the Scheme's investments:

I. Valuation of Traded Securities

I.I Equity and Equity related Securities

Traded Equity and Equity related Securities are valued at the last quoted closing price on the National Stock Exchange (NSE) or other Stock Exchange (SE) (in case where security is either not listed on NSE or not traded on NSE). In case where a security is not traded on the valuation day then it is valued at last traded price on the NSE or any other SE on which it traded provided it is not more than thirty days prior to the date of valuation.

I.II Debt Securities

Traded Debt Securities (other than Government Securities) are valued at the last quoted price on the NSE on the day of valuation.

II. Valuation of Thinly Traded Securities/ Non-traded and Unlisted Securities

II.I Equity & Equity related Securities

Thinly Traded, Non-traded and unlisted Equity and Equity Related securities are valued "in good faith" on the basis of net worth per share and earnings capitalization as prescribed by the SEBI.

II.II Debt Securities of upto 182 Days to Maturity

Non-traded / thinly traded / unlisted debt securities of upto 182 days to maturity are valued at cost or last valuation price (in case of securities having maturity period of more than 182 days at the time of purchase) plus difference between the redemption value and the cost or last valuation price spread uniformly over the remaining maturity period of the securities.

II.III Debt Securities of over 182 Days to Maturity

Non-traded/ thinly traded / unlisted debt securities of over 182 days to maturity are valued in good faith by the investment manager on the basis of valuation principles laid down by the SEBI. The approach in valuation of a non-traded / thinly traded / unlisted debt security is based on the concept of using spreads over the benchmark rate to arrive at the yields for pricing the security.

III. Valuation of Non-Traded /Thinly Traded and Unlisted Floating Rate Debt Securities (Floaters)

There are no valuation guidelines prescribed by SEBI for Valuation of Non-Traded / Thinly Traded and Unlisted Floating Rate Debt Securities. These securities are valued as determined by the investment manager based on policy as approved by the Board of Trustees.

IV. Valuation of Government Securities

Government Securities are valued at the prices provided by the agency (currently Crisil Limited) approved by the Association of Mutual Funds of India (AMFI), on a daily basis.

V. Valuation of securities with Put/Call Options

V.I Securities with Call option

The securities with call option are valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option. In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is taken as the value of the instrument.

V.II Securities with Put option

The securities with put option are valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option. In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is taken as the value of the instruments.

V.III The securities with both Put and Call option on the same day would be deemed to mature on the Put/Call day and would be valued accordingly.

VI. Valuation of Money Market Instruments

Investments in call money, Collateralized Borrowing and Lending Obligations and short-term deposits with banks are valued at cost plus accrued interest.

Money market instruments are valued at the last traded yield on the date of valuation. In case the Money market instruments is not traded on the valuation day then it is valued on straight-line amortization over the maturity period of the instruments.

In accordance with the Guidance Note on Accounting for Investments in the Financial Statements of Mutual Funds issued by the Institute of Chartered Accountants of India (pursuant to the Eleventh Schedule to the SEBI Regulations), the net unrealised gain or loss in the value of investments is determined separately for each category of investments. The change in the net unrealised loss, if any, between two balance sheet dates is recognised in the revenue account and the change in net unrealised gain, if any, is adjusted in an unrealised appreciation reserve. The loss on investments sold/transferred during the period is charged to the revenue account instead of being first adjusted against the provision for depreciation, if already created in the prior period, as recommended by the Guidance Note. However, this departure from the Guidance Note does not have any net impact on the Scheme's net assets.

c) Equity Derivatives

- Initial Margin paid against equity derivatives is accounted as current assets.
- Open position of exchange traded equity derivatives (ETED) are marked-to-market on daily basis at the closing prices provided by the respective stock exchanges.
- Realised gain / loss on closure / expiry of ETED are accounted as realised gain / loss on investments.

3. Open position of ETED as at March 31, 2007 was as under:

| Scheme | Series | No. of Contracts | No. of Units – Long / (Short) |
|--------|---|------------------|-------------------------------|
| EF | ICICI Bank Ltd. – April 2007 | 230 | (80,500) |
| EF | NIFTY – April 2007 | 1719 | 85,950 |
| BaF | NIFTY – April 2007 | 1145 | 57,250 |
| TEF | ICICI Bank Ltd – April 2007 | 106 | (37,100) |
| TEF | NIFTY – April 2007 | 1169 | 58,450 |
| SM | Balrampur Chini Mills Ltd. – April 2007 | 606 | (1,454,400) |
| SM | Balrampur Chini Mills Ltd. – May 2007 | 42 | (100,800) |
| SM | Renuka Sugars Ltd. – April 2007 | 280 | (140,000) |
| TAX | NIFTY – April 2007 | 300 | 15,000 |

4. Income Distribution

Income distribution during the current period was made from the distributable surplus of current period's earning and accumulated reserves of earlier years.

5. Details of Transactions with Associates in terms of Regulation 25(8):

Name of Associate: DSP Merrill Lynch Limited

| Scheme Name | Securities transaction in the form of investments/ disinvestment in various Public issues / Private placements where the associate was the sole or one of the several lead managers – Rs. Lakhs | Payment of Brokerage on Secondary Market transactions – Rs. Lakhs | Payment of Brokerage for Distribution and Sale of Units – Rs. Lakhs |
|-------------|---|---|---|
| BF | – | – | 5.11 |
| EF | 265.01 | 17.39 | 31.89 |
| LF | – | – | 12.78 |
| BaF | 152.06 | 10.94 | 42.95 |
| GSFA | – | – | 0.51 |
| GSFB | – | – | 0.32 |
| TF | 15.52 | 1.26 | 11.69 |
| OF | 3,606.92 | 7.62 | 45.42 |
| STF | – | – | 3.52 |
| TEF | 1,169.22 | 14.09 | 11.30 |
| SPF – M | 1,083.41 | 2.92 | 20.67 |
| FRF | – | – | 12.45 |
| SPF – C | 33.33 | 0.10 | 0.73 |
| SPF – A | 471.47 | 1.55 | 4.34 |
| ITF | 4,996.60 | 19.49 | 35.99 |
| LPLUS | – | – | 61.33 |

| Scheme Name | Securities transaction in the form of investments/ disinvestment in various Public issues / Private placements where the associate was the sole or one of the several lead managers – Rs. Lakhs | Payment of Brokerage on Secondary Market transactions – Rs. Lakhs | Payment of Brokerage for Distribution and Sale of Units – Rs. Lakhs |
|-------------|---|---|---|
| SM | 15,728.12 | 19.97 | 269.39 |
| TAX | 245.25 | 0.74 | 4.98 |
| FTP– 3 | – | – | 0.13 |
| FTP – 1D | – | – | – |
| FTP – 1E | – | – | 0.26 |
| FTP – 1F | – | – | 0.90 |
| FTP – 1G | – | – | 0.19 |
| FTP – 1H | – | – | 0.15 |
| FTP – 1I | – | – | 0.28 |
| FTP – 3E | – | – | 20.83 |
| FTP – 1J | – | – | 0.00 |
| FTP – 3C | – | – | 0.38 |

BF – Bond Fund, EF – Equity Fund, LF – Liquidity Fund, BaF – Balanced Fund, GSFA – Government Securities Fund – Plan A (Longer Duration Plan), GSFB – Government Securities Fund – Plan B (Shorter Duration Plan), TF – Technology.com fund, OF – Opportunities Fund, STF – Short Term Fund., TEF – Top 100 Equity Fund, SPF – M – Savings Plus Fund – Moderate, FRF – Floating Rate Fund, SPF – A – Savings Plus Fund – Aggressive, SPF – C – Savings Plus Fund – Conservative, ITF – India T.I.G.E.R. Fund, LPLUS– Liquid Plus Fund, SM – Small and Mid Cap Fund, TAX – Tax Saver Fund. FTP: – Fixed Term Plans Series (Closed Ended Schemes).

Note: Brokerage on distribution and sale of units paid / payable represents the amount paid / payable for the year and does not necessarily reflect the amount charged to the Scheme's revenue account.

6. Investments made in companies which have invested more than five percent of the net asset value of the Schemes of DSP Merrill Lynch Mutual Fund in terms of Regulation 25 (11):

- Investment in Companies includes investment in subsidiaries.
- Purchases represents purchases (including derivatives transactions and inter scheme transactions) made during the period prescribed under Regulation 25(11).
- Value represents closing market value of investments as of March 31, 2007

Open ended schemes

| Company Name | Scheme invested in | Investing Scheme (rupees in crores) | | | | | | | | | | | | | |
|-----------------------------|--------------------|-------------------------------------|-------|-------|-------|--------|-------|--------|-------|-------|--------|-------|------|-------|------|
| | | | BaF | BF | EF | ITF | OF | SM | SPF–A | SPF–C | SPF–M | STF | TAX | TEF | TF |
| Birla Corporation Ltd. | FMP3C | Purchases | 3.12 | – | 9.62 | – | 12.37 | – | – | – | – | – | – | – | – |
| | | Value | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Financial Technologies Ltd. | SPF–C | Purchases | – | – | – | – | 6.84 | – | 0.48 | 0.03 | 0.99 | – | 2.53 | 5.84 | 2.25 |
| | | Value | – | – | – | – | 6.53 | – | – | – | – | – | 2.41 | 1.60 | 1.01 |
| HCL Technologies Ltd. | STF | Purchases | 6.00 | – | 10.15 | – | 5.73 | – | 0.29 | 0.03 | 0.96 | – | – | 19.61 | 8.22 |
| | | Value | – | – | – | – | 12.75 | – | – | – | – | – | – | – | – |
| Hero Honda Motors Ltd. | LF, STF | Purchases | – | – | 2.92 | – | – | – | – | – | – | – | – | 2.47 | – |
| | | Value | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Hindustan Lever Limited | LF | Purchases | – | – | – | – | 5.73 | – | 0.38 | 0.02 | 0.80 | – | – | 4.87 | – |
| | | Value | – | – | – | – | 23.41 | – | – | – | – | – | – | 7.67 | – |
| Hindustan Zinc Limited | STF | Purchases | 1.03 | – | 2.06 | – | – | – | – | – | – | – | – | – | – |
| | | Value | – | – | – | – | – | – | – | – | – | – | – | – | – |
| ICICI Bank Limited | LF | Purchases | 67.19 | 21.54 | 16.96 | 159.65 | 47.74 | 312.75 | 15.41 | 8.91 | 165.05 | 60.06 | 6.35 | 54.41 | – |
| | | Value | 9.92 | 4.42 | – | 17.07 | 36.05 | – | 4.95 | 4.95 | – | – | 3.85 | – | – |
| IDFC Ltd. | STF | Purchases | – | – | – | 36.05 | – | – | – | – | – | – | 1.15 | 5.46 | – |
| | | Value | – | – | – | 25.88 | – | – | – | – | – | – | 0.90 | – | – |
| IPCL Ltd. | LF | Purchases | – | – | – | – | 9.71 | – | – | – | – | – | – | – | – |
| | | Value | – | – | – | – | 6.76 | – | – | – | – | – | – | – | – |
| ITC Ltd. | FRF, LF, STF | Purchases | 13.62 | – | 11.13 | – | 8.71 | – | 0.91 | 0.05 | 1.67 | – | 2.01 | 14.25 | – |
| | | Value | 7.92 | – | 11.45 | – | 18.77 | – | – | – | – | – | 0.71 | 9.18 | – |
| Larsen & Toubro Limited | TEF | Purchases | 3.51 | – | 2.78 | 5.43 | – | 15.04 | 0.38 | 0.02 | 0.86 | – | 3.06 | 2.34 | – |
| | | Value | 10.03 | – | 18.32 | 61.23 | 44.52 | 15.37 | – | – | – | – | 3.39 | 12.20 | – |

| Company Name | Scheme invested in | Investing Scheme (rupees in crores) | | | | | | | | | | | | | |
|---------------------------------|--------------------|-------------------------------------|-------|------|-------|-------|-------|-------|-------|-------|-------|-----|------|-------|------|
| | | | BaF | BF | EF | ITF | OF | SM | SPF-A | SPF-C | SPF-M | STF | TAX | TEF | TF |
| Maruti Udyog Ltd. | LF | Purchases | - | - | - | - | 11.77 | - | 0.21 | 0.01 | 0.36 | - | - | 8.64 | - |
| | | Value | - | - | - | - | 6.31 | - | - | - | - | - | - | - | - |
| Reliance Industries Ltd. | LF | Purchases | 17.61 | 5.03 | 25.48 | 46.76 | 26.34 | 54.43 | 0.85 | 0.04 | 0.82 | - | 7.29 | 19.31 | - |
| | | Value | 12.44 | - | 37.46 | 75.80 | 79.29 | 43.15 | - | - | - | - | 7.57 | 24.93 | - |
| Reliance Petroleum Ltd. | LF | Purchases | - | - | 3.45 | - | - | - | - | - | - | - | 0.56 | - | - |
| | | Value | - | - | 3.60 | - | - | - | - | - | - | - | 0.57 | - | - |
| Tata Iron and Steel Co Ltd. | LF | Purchases | - | - | - | 6.97 | - | - | - | - | - | - | - | - | - |
| | | Value | 6.42 | - | 16.98 | 27.77 | 7.33 | - | - | - | - | - | - | 7.46 | - |
| Tech Mahindra Ltd. | STF | Purchases | - | - | - | - | 6.96 | - | 0.54 | 0.04 | 1.17 | - | 1.03 | 1.53 | 0.65 |
| | | Value | - | - | - | - | 8.38 | - | - | - | - | - | - | 2.85 | 2.69 |
| Television Eighteen India Ltd. | LPLUS | Purchases | 2.80 | - | - | 48.07 | 17.40 | 36.82 | - | - | - | - | 1.13 | - | 1.23 |
| | | Value | - | - | - | 36.50 | 20.77 | 38.58 | - | - | - | - | 1.19 | - | - |
| The Bombay Dyeing & Mfg Co Ltd. | GSFA | Purchases | - | - | - | - | 2.15 | - | - | - | - | - | - | - | - |
| | | Value | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Wipro Limited | STF | Purchases | 0.81 | - | 1.74 | - | - | - | - | - | - | - | - | 8.46 | 6.24 |
| | | Value | - | - | - | - | - | - | - | - | - | - | - | 4.68 | 3.25 |

Closed ended schemes

| Company Name | Scheme invested in | Investing Scheme (rupees in crores) | | | | | | | | | | |
|-------------------------|--------------------|-------------------------------------|--------|--------|-------|--------|--------|--------|-------|-------|--------|--------|
| | | | FTP1E | FTP3A | FTP3C | FTP3E | FTP1H | FTP1I | FTP1J | FRF | LF | LPLUS |
| ICICI Bank Limited | LF | Purchases | 134.73 | 190.06 | 16.28 | 379.00 | 125.56 | 150.98 | 34.02 | 12.56 | 638.57 | 180.91 |
| | | Value | - | 207.87 | 16.28 | 379.00 | 125.35 | 148.04 | 34.02 | - | 315.77 | 48.07 |
| Larsen & Toubro Limited | TEF | Purchases | - | - | - | - | - | - | - | - | - | - |
| | | Value | - | - | - | - | - | - | - | - | 25.00 | - |

The Investment Manager is of the opinion that the investments are made by the schemes in such companies since they are perceived as fundamentally strong and possess a high potential for growth. Further, investments in bonds issued by the aforesaid companies would yield attractive returns commensurate with the risks associated with the issuer.

7. Contingent Liability:

Uncalled liability on Hindalco Limited rights shares in following schemes:

| Scheme | No. of Shares | Amount in rupees |
|--------|---------------|------------------|
| OF | 405,526 | 19465,248 |

- Unit-holders can obtain from the mutual fund a copy of the Annual Report of the scheme in which he /she has invested.
- The unaudited financial results have been approved by the Directors of the Board of DSP Merrill Lynch Fund Managers Limited and DSP Merrill Lynch Trustee Co. Pvt. Ltd.
- The Auditors of the Fund have performed a limited review of the above unaudited financial results.

For DSP Merrill Lynch Trustee Company Private Limited

For DSP Merrill Lynch Fund Managers Limited

Shitin Desai

Chairman

Mumbai : April 24, 2007

S. S. Thakur

Director

Hemendra Kothari

Chairman

Mumbai : April 23, 2007

K R V Subrahmanian

Director